WidePoint Corporation

WYY (NYSE American) - Buy

August 17, 2026

Despite Q2 Setbacks, Visibility to $1.50 EPS and $30 Share Price Remain

Analyst: Barry M. Sine, CFA, CMT

- **WidePoint Experienced Several Setbacks with 2Q Results** – the first of which was temporarily lower revenue due to the government shutdown, resulting in below expectation 2Q revenue. None of these impact the company's earnings power so we reiterate our Buy rating and $30 target.

- **CWMS Protest Does Not Change the Thesis** - We believe WidePoint will prevail in the recent GAO challenge to its $3.1 billion, 10-year DHS contract, with a GAO decision lilely soon.

- **CWMS 3.0 Could Add $13.5 Million of Annual Net Income** - Roughly $150 million of incremental work at a 9% net margin suggests substantial earnings upside as the contract kicks in in 4Q, assuming the challenge is unsuccessful

- **ATV Adds Another High-Margin Growth Driver** - The $45 million contract to support one of the major U.S. wireless carriers should generate about $6.3 million of annual gross profit, with additional enterprise opportunities already emerging. However, the start date has pushed back a couple of quarters to 2Q 2027.

- **The Math Supports Roughly $1.50 of Recurring EPS** - CWMS and ATV together suggest theoretical earnings power approaching $1.80 per share before incremental ATV operating expenses.

- **Olympics and Census Provide Additional Upside** - We expect WidePoint's successful history supporting CDW on the 2020 Census to position it well for the 2028 Olympics and 2030 Census.

Rating	Buy
Target Price	$30.00
Ticker Symbol	WYY
Market	NYSE American
Stock Price	$9.45
52 wk High	$24.30
52 wk Low	$3.25
Shares Outstanding:	9.9 M
Public Market Float:	8.7 M
Avg. Daily Volume	315,791
Market Capitalization:	$94.5 M
Institutional Holdings:	26.8%
Dividend Yield:	0.0%

Earnings Per Share	**Normalized to exclude unusual items**			
FYE - December	**2024**	**2025**	**2026E**	**2027E**
1Q - March	($0.07)	($0.08)	$0.01 A	$0.27
2Q - June	($0.05)	($0.06)	$0.01 A	$0.26
3Q - September	($0.04)	($0.06)	$0.09	$0.43
4Q - December	($0.04)	($0.09)	$0.00	$0.41
Year	**($0.21)**	**($0.28)**	**$0.03**	**$1.37**
Revenue ($mm)	**142.6**	**150.5**	**169.0**	**212.4**
EV/Rev	0.6X	0.6X	0.5X	0.4X
EBITDA ($mm)	**2.6**	**1.1**	**3.9**	**19.2**
EV/EBITDA	32.4X	77.4X	21.5X	4.4X

Risks/Valuation

- The key risk we identify is cybersecurity risk, as nearly all of the company's services are provided over the internet, and it serves high-visibility customers, including the DoD and DHS.

- We value WYY shares on an EV/EBITDA multiple basis and assume that the current wide valuation gap with larger SaaS comps will narrow as WidePoint's results look more SaaS-like.

Company description: WidePoint is a Fairfax, Virginia-based SaaS company with 80% of its revenue from the U.S. government and 20% from commercial, state, and local customers. Its four product categories are telecom lifecycle management, identity management, telecom billing analytics, and IT as a service.

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Despite Q2 Setbacks, Visibility to $1.50 EPS and $30 Share Price Remain

We reiterate our Buy rating and $30 price target on WidePoint despite several recent setbacks. We note that none changes the long-term economic value of the company, nor our valuation. We also note that we had taken a more cautious approach to modeling revenue, so we are making few modifications to our forecast.

Second-quarter revenue came in at $38.0 million, flat with the year ago, compared with 19% YoY growth in the first quarter. The shortfall was partially due to the government shutdown, which ended on April 30. The lost revenue was largely due to support staff and contractors who were not working, and as such, will not be made up.

The second issue is that privately held Turning Point Global has issued a challenge to the June 24, 2026 award to WidePoint for the $3.1 billion, 10-year CWMS 3.0 contract. DHS issued a new, short-term temporary contract, the CWMS 2.5 bridge with a $113 million ceiling, to cover the gap until the challenge is disposed of. While the Government Accountability Office (GAO) has a maximum of 100 days to respond to a challenge, in practice most are completed in less than half this time. The 50-day mark would be on August 18, 2026, but even if the GAO took the full 100 days, WidePoint would have a response in time for the third-quarter earnings call, as the statutory deadline is October 7, 2026. Interestingly, under the rules, WidePoint management does not see the challenge, or its response. Only its attorney does. The attorney then has to ask WidePoint for information to respond, so management gets some sense of what is involved.

We believe WidePoint will prevail for several reasons. First, only about 14% of contract challenges that reach a decision on the merits are successful, based on the GAO sustain rate. Second, at the time bids were due Turning Point did not qualify, and it only received its FedRAMP certification three months later. Third, due to highly publicized contract irregularities at the Department of Homeland Security, contracts, including this one, are receiving greater scrutiny. This contract award was reviewed by Congress, with no issues found. In fact, WidePoint has been doing this work for roughly 15 years, starting under the Obama administration and continuing through the Trump, Biden and Trump 2 administrations. So it appears apolitical and has been vetted.

Fourth, Turning Point appears to be an Indian IT-type contractor, with software development done via its Bangalore, India unit, and it employs numerous H-1B visa holders. Given the highly sensitive nature of this work, this may have factored into the decision. We don't know the pricing terms or the details of each contract, but WidePoint management has noted over the years that its ITMS solution has been highly customized based on years of DHS requests so that it is well tailored to them. Switching vendors would likely be highly disruptive. Turning Point is the incumbent on a number of similar contracts for other agencies with upcoming rebids that WidePoint intends to go after, but we expect that Turning Point will enjoy the same incumbency advantage that WidePoint enjoys on CWMS, so we are not factoring in any wins on these.

CWMS 3.0 represents about $300 million in annual revenue over 10 years. The first $150 million is largely the work WidePoint is already doing, but at higher rates. The other $150 million is new work and is expected to carry a 9% net profit margin, for a contribution of roughly $13.5 million in annual net income.

The other issue is that the now-named ATV Contract start date has pushed out by a couple of quarters. WidePoint is already seeing enhancements and additional revenue on this contract. The original terms were to be $45 million in revenue over five years, or $9 million annually. At a gross margin of 70%, this works out to $6.3 million annually. There will be some modest incremental opex on this, but management has not provided details on this. Additionally, WidePoint is looking to expand the relationship with this customer to other enterprise customers with large numbers of devices, such as Fortune 500 companies. In our experience, when WidePoint wins a new customer it tends to retain it and gradually expand the scope of business with that customer.

The Math Suggests Roughly $1.50 in Annual, Recurring EPS

The $13.5 million contribution from the new CWMS work is already a net income number, based on management's expectation for a roughly 9% net profit margin. The ATV contract should generate roughly $6.3 million of annual gross profit. Applying the CFO's assumed 27.5% tax rate to the ATV contribution produces approximately $4.6 million after tax. Adding this to the $13.5 million of CWMS net income produces approximately $18.1 million of annual earnings, or roughly $1.80 per share based on the current approximately 10.2 million share count, before deducting the modest incremental operating expenses associated with ATV.

As our math is just a rough estimate, it does not factor in the CWMS recurring-work price increases or quantify the incremental ATV operating expenses. WidePoint is currently close to EPS breakeven, so a $1.50 EPS estimate is, in our opinion, realistic. And we note that we do expect WidePoint to be awarded the subcontract to support the 2028 Los Angeles Olympics, and ultimately the 2030 Census, as it has previously supported the prime, CDW, and had a flawless performance for the 2020 Census, with all of the roughly 7,000 devices that were issued to census takers successfully recovered afterwards.

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WidePoint Corporation – Income Forecast

			2025					2026E					2027E		
Fiscal years ended December 31	1QA	2QA	3QA	4Q	YEAR	1QA	2QA	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
Carrier services	22,401,299	22,223,060	20,406,680	26,836,660	91,867,699	25,784,040	24,064,860	23,467,682	29,520,326	102,836,908	28,362,444	26,471,346	25,814,450	32,472,359	113,120,599
YoY growth	15.6%	8.9%	-9.0%	9.1%	5.8%	15.1%	8.3%	15.0%	10.0%	11.9%	10.0%	10.0%	10.0%	10.0%	10.0%
Managed services	11,816,440	15,657,142	15,718,527	15,485,556	58,677,665	14,791,990	13,934,722	18,076,306	19,356,945	66,159,963	22,187,985	20,902,083	27,114,459	29,035,418	99,239,945
YoY growth	-20.3%	0.1%	28.8%	18.1%	5.2%	25.2%	-11.0%	15.0%	25.0%	12.8%	50.0%	50.0%	50.0%	50.0%	50.0%
Revenue	**34,217,739**	**37,880,202**	**36,125,207**	**42,322,216**	**150,545,364**	**40,576,030**	**37,999,582**	**41,543,988**	**48,877,271**	**168,996,871**	**50,550,429**	**47,373,429**	**52,928,909**	**61,507,776**	**212,360,543**
YoY growth	0.0%	5.1%	4.3%	12.3%	5.6%	18.6%	0.3%	15.0%	15.5%	12.3%	24.6%	24.7%	27.4%	25.8%	25.7%
Seq growth	-9.2%	10.7%	-4.6%	17.2%		-4.1%	-6.3%	9.3%	17.7%		3.4%	-6.3%	11.7%	16.2%	
Cost of services															
Carrier	22,401,299	22,223,060	20,406,680	26,836,660	91,867,699	25,454,063	23,570,034	23,467,682	29,520,326	102,836,908	28,362,444	26,471,346	25,814,450	32,472,359	113,120,599
Gross margin %	0.0%	0.0%	0.0%	0.0%	0.0%	-1.3%	-2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Managed services	7,037,919	10,539,900	10,443,215	9,648,691	37,669,725	9,524,341	8,582,692	11,133,582	12,291,660	41,532,275	13,312,791	12,541,250	16,268,675	17,421,251	59,543,967
Gross margin %	40.4%	32.7%	33.6%	37.7%	35.8%	35.6%	38.4%	38.4%	36.5%	37.2%	40.0%	40.0%	40.0%	40.0%	40.0%
Total cost of revenue	29,439,218	32,762,960	30,849,895	36,485,351	129,537,424	34,978,404	32,152,726	34,601,264	41,811,986	144,369,183	41,675,235	39,012,596	42,083,126	49,893,609	172,664,566
As a percent of revenue	86.0%	86.5%	85.4%	86.2%	86.0%	86.2%	84.6%	83.3%	85.5%	85.4%	82.4%	82.4%	79.5%	81.1%	81.3%
Gross margin	4,778,521	5,117,242	5,275,312	5,836,865	21,007,940	5,597,626	5,846,856	6,942,724	7,065,285	24,627,688	8,875,194	8,360,833	10,845,784	11,614,167	39,695,978
As a percent of revenue	14.0%	13.5%	14.6%	13.8%	14.0%	13.8%	15.4%	16.7%	14.5%	14.6%	17.6%	17.6%	20.5%	18.9%	18.7%
Sales and marketing	639,482	669,797	677,618	746,927	2,733,824	595,997	665,436	747,792	879,791	2,889,016	682,431	639,541	714,540	830,355	2,866,867
As a percent of revenue	1.9%	1.8%	1.9%	1.8%	1.8%	1.5%	1.8%	1.8%	1.8%	1.7%	1.4%	1.4%	1.4%	1.4%	1.4%
General and administrative	4,731,782	4,922,649	4,832,422	5,241,572	19,728,425	4,832,023	4,989,623	4,985,279	5,865,273	20,672,197	5,055,043	4,737,343	5,292,891	6,150,778	21,236,054
As a percent of revenue	13.8%	13.0%	13.4%	12.4%	13.1%	11.9%	13.1%	12.0%	12.0%	12.2%	10.0%	10.0%	10.0%	10.0%	10.0%
Impairment	-	-	-	-	-	-	-								
Depreciation and amortization	223,688	233,122	225,908	647,713	1,330,431	227,972	181,414	250,000	250,000	909,386	250,000	250,000	250,000	250,000	1,000,000
Operating Income	**(816,431)**	**(708,326)**	**(460,636)**	**(799,347)**	**(2,784,740)**	**(58,366)**	**10,383**	**959,654**	**70,222**	**157,089**	**2,887,720**	**2,733,949**	**4,588,352**	**4,383,034**	**14,593,056**
Operating margin	-2.4%	-1.9%	-1.3%	-1.9%	-1.8%	-0.1%	0.0%	2.3%	0.1%	0.1%	5.7%	5.8%	8.7%	7.1%	6.9%
Interest income	53,430	89,340	83,439	106,854	333,063	87,403	101,756	25,000	25,000	239,159	25,000	25,000	25,000	25,000	100,000
Interest expense	(55,073)	(52,382)	(47,671)	(47,265)	(202,391)	(44,993)	(43,839)	(55,000)	(55,000)	(198,832)	(55,000)	(55,000)	(55,000)	(55,000)	(220,000)
Other income	-	497	93	57	647	49,240	188	-	-	49,428	-	-	-	-	-
Pretax Income	(818,074)	(670,871)	(424,775)	(739,701)	(2,653,421)	33,284	68,488	929,654	40,222	246,844	2,857,720	2,703,949	4,558,352	4,353,034	14,473,056
Taxes	(94,011)	(52,412)	134,410	109,704	97,691	(43,676)	2,068	-	-	(41,608)	-	-	-	-	-
Tax rate	11.5%	7.8%	-31.6%	-14.8%	-3.7%	-131.2%	3.0%	0.0%	0.0%	-16.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income to common	**(724,063)**	**(618,459)**	**(559,185)**	**(849,405)**	**(2,751,112)**	**76,960**	**66,420**	**929,654**	**40,222**	**288,452**	**2,857,720**	**2,703,949**	**4,558,352**	**4,353,034**	**14,473,056**
Net income margin	-2.1%	-1.6%	-1.5%	-2.0%	-1.8%	0.2%	0.2%	2.2%	0.1%	0.2%	5.7%	5.7%	8.6%	7.1%	6.8%
Diluted shares outstanding	9,552,971	9,586,166	9,655,173	9,655,173	9,669,721	10,073,810	10,166,714	10,256,714	10,346,714	10,210,988	10,436,714	10,526,714	10,616,714	10,706,714	10,571,714
Seq change	233,671	33,195	69,007	-		418,637	92,904	90,000	90,000		90,000	90,000	90,000	90,000	
EPS diluted - continuing	**($0.08)**	**($0.06)**	**($0.06)**	**($0.09)**	**($0.28)**	**$0.01**	**$0.01**	**$0.09**	**$0.00**	**$0.03**	**$0.27**	**$0.26**	**$0.43**	**$0.41**	**$1.37**
EBITDA															
Net loss	(724,063)	(618,459)	(559,185)	(849,405)	(2,751,112)	76,960	66,420	929,654	40,222	288,452	2,857,720	2,703,949	4,558,352	4,353,034	14,473,056
Depreciation and amortization	709,900	725,300	650,400	1,007,800	3,093,400	512,400	449,800	900,000	900,000	2,762,200	900,000	900,000	900,000	900,000	3,600,000
Income tax	(94,011)	(52,412)	134,410	109,713	97,700	(43,676)	2,068	-	-	(41,608)	-	-	-	-	-
Interest income	(53,430)	(89,340)	(83,439)	(106,854)	(333,063)	(87,403)	(101,756)	(25,000)	(25,000)	(239,159)	(25,000)	(25,000)	(25,000)	(25,000)	(100,000)
Interest expense	55,073	52,382	47,671	47,274	202,400	44,993	43,839	55,000	55,000	198,832	55,000	55,000	55,000	55,000	220,000
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	**(106,531)**	**17,471**	**189,857**	**208,528**	**309,325**	**503,274**	**460,371**	**1,859,654**	**970,222**	**2,968,717**	**3,787,720**	**3,633,949**	**5,488,352**	**5,283,034**	**18,193,056**
Loss on factoring receivables	-	-	-	-	-	-	-								
Stock based comp	198,900	166,018	154,100	251,182	770,200	248,800	174,900	250,000	250,000	923,700	250,000	250,000	250,000	250,000	1,000,000
Adjusted EBITDA	**92,369**	**183,489**	**343,957**	**459,710**	**1,079,525**	**752,074**	**635,271**	**2,109,654**	**1,220,222**	**3,892,417**	**4,037,720**	**3,883,949**	**5,738,352**	**5,533,034**	**19,193,056**
EBITDA margin	0.3%	0.5%	1.0%	1.1%	0.7%	1.9%	1.7%	5.1%	2.5%	2.3%	8.0%	8.2%	10.8%	9.0%	9.0%
YoY growth	-83.9%	-77.4%	-40.0%	-26.1%	-58.1%	714.2%	246.2%	513.3%	165.4%	260.6%	436.9%	511.4%	172.0%	353.4%	393.1%
CAPX	27,632	93,334	20,031	124,472	265,469	77,832	7,705	75,000	75,000	235,537	75,000	75,000	75,000	75,000	300,000
Free Cash Flow	**64,737**	**90,155**	**323,926**	**335,238**	**814,056**	**674,242**	**627,566**	**2,034,654**	**1,145,222**	**3,656,880**	**3,962,720**	**3,808,949**	**5,663,352**	**5,458,034**	**18,893,056**
As a percent of revenue	0.2%	0.2%	0.9%	0.8%	0.5%	1.7%	1.7%	4.9%	2.3%	2.2%	7.8%	8.0%	10.7%	8.9%	8.9%

Source: Company reports and Litchfield Hills Research LLC

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